

THE BANK OF MONTREAL—Continued

Great Britain will probably be curtailed by a shortage of ocean tonnage, the results might be looked upon as not unfavourable on the whole.

In this connection, I may add that the past season has been very propitious for the dairy trade, the production of cheese and butter exceeding all previous records and marketed at unprecedentedly high prices.

The sudden reversal in the position of Canada from a debtor to a creditor nation, as respects foreign trade, has been very remarkable. In the seven months of the fiscal year to October 31st the excess of imports over domestic exports of merchandise was, as recently as 1913, no less than \$145,000,000 and in the like period of 1914 the adverse balance of trade amounted to \$60,000,000. Then the gap began rapidly to close. The production of munitions of war of every description, together with the bountiful harvest of last year, carried the exports to an unprecedentedly high figure. In the seven months to October 31st, 1915, the value of domestic exports exceeded imports by \$73,300,000 and in the corresponding period of this year the excess of exports over imports has reached the large sum of \$160,000,000.

Nor has this reversal of the balance of trade been accomplished by contraction of imports; in the present year the value of imports has out-stripped all previous records. The change has been effected entirely by shipments abroad of the huge crop of 1915, and the large output of war supplies, the export of agricultural products in the seven months period to October 31st having risen from \$75,400,000 in 1914, to \$233,500,000.

It is scarcely necessary to add that this striking change in foreign trade balance has greatly ameliorated the financial situation and is at once a cause and reflex of the existing commercial activities of the country.

SUCCESS OF DOMESTIC LOANS.

In a little more than a year, Canada has issued two Domestic Loans amounting to \$200,000,000, and the Canadian Government has borrowed in New York, \$95,000,000. The success of our internal loans is a matter of pride and congratulation. It is due largely to the spirit of loyalty of our people and a determination to do all within them to bring the war to an early and successful conclusion.

So far, a depletion of Bank deposits in consequence of these contributions has not taken place; in fact, they show month by month a gratifying increase. It must not be forgotten, however, that these increases are only partially due to the savings of our people. They may be accounted for to a very considerable extent by the husbanding of resources by our large corporations, a prudent and wise precaution in view of the uncertain conditions which now prevail and will continue to exist during the continuance of the war.

The Minister of Finance, to whom the country owes much for his wise and far-seeing administration of our financial affairs, will doubtless keep in view these conditions when making further calls on our resources, which of necessity he must do from time to time.

The net debt of Canada on October 31st last was \$696,000,000, an increase within the year of upwards of \$200,000,000. The war expenditure has now reached \$23,000,000 a month and is increasing. Ere long the public debt of Canada will reach a billion dollars and involve an interest charge of not less than \$45,000,000 annually. While it is true that through adventitious circumstances public revenue has increased during the last year or two, no dependence can be placed on the continuance of this buoyancy, so that we will have to face a heavy interest charge on account of public debt, and a resulting taxation.

It is obvious, therefore, that if Canada is to escape the disability of being made a dear country to live in, the strictest economy in Government expenditures will have to be practised and all demands for public aid involving new burdens be held severely in check.

The high cost of living is again causing much concern among many. The change from suburban to city life, owing to its many attractions, has been in process for some years, with a corresponding decline in production and in increased demand for all commodities. This circumstance, with the enormous demands of all countries for the products of the farm and field, has been contributory

causes, if they are not wholly responsible, for the high and increasing prices of all necessities. The improved conditions under which farm labour is now carried on, by reason of the facilities given by rural mails and the less arduous means of communication, have ameliorated many of the former hardships of farm life and a movement back to the land may be hoped for. But so long as the war lasts and the men who have been withdrawn from productive occupations are engaged in fighting our battles, I fear we can look for little relief from the acute conditions which now confront us.

POLICY CANADA SHOULD FOLLOW.

There are three objects to which every effort must be bent:

Economy—that we may be enabled to provide the Government with funds to do our part to win the war and to make provision for taxes which we shall undoubtedly be called upon to pay.

Production—that we may increase our exports and furnish more plentifully our home markets; and above all

Immigration—which will bring about increased production so necessary to our well-being to be promoted at all times and under all circumstances, more particularly of settlers who seek the land.

The Railway situation in Canada has been a matter of some anxiety to those connected with financial affairs. The Dominion Government has, as you are aware, appointed a Commission of capable and experienced men to thoroughly investigate the situation in respect of the newer transcontinental railways, and while I cannot, of course, anticipate the findings and recommendations of this Commission, I may be allowed to express the hope that neither Government ownership nor Government operation will ensue, either of which, I am convinced, would prove detrimental to the best interest of Canada.

And now, as my remarks draw to a close, I am tempted, contrary to my usual practice and unrestrained by the old adage "Never prophesy unless you know," to look into the future. The thoughts of many men are turned towards the problems that will confront us after the war. Government Commissions are dealing with them; the press devotes much space to their discussion; international conferences have met, but our first, obvious and imperative duty is to WIN THE WAR.

When that is done, new conditions will unquestionably supervene. It seems probable that for some months to come, orders for munitions and war supplies will continue to keep our industrial plants actively employed.

OUTLOOK FOR POST BELLUM PERIOD.

A temporary check in business generally may be looked for when peace is in sight, but I do not anticipate that any lengthened cessation of our commercial and industrial activities will immediately ensue. The period of reconstruction will probably not be accomplished for several months, and during this time Europe should provide a market for all we can produce, and new markets, perhaps, will be opened to us which we have never yet been able to reach.

These countries, however, will be "beating their swords into plough-shares," straining their energies to the conversion of munition plants into factories for the production of goods for both home and foreign trade in the effort to regain their former markets, to liquidate foreign debts and to recover the gold of which by necessity they may have been temporarily deprived.

When this rehabilitation has been effected, we in Canada must be prepared to meet in our own markets the keen competition of foreign goods. To cope, successfully with this competition, expenditures on capital account should be avoided as far as possible, and resources conserved. Efficiency, efficiency, efficiency must be our watchword, conjoined with economy in all walks of life.

With regard to immigration, I do not share the optimistic views of many of our friends as to the immediate outlook. That in time we will receive a large influx of new settlers there is no doubt, but for a period we shall be at a disadvantage owing to a deficiency of tonnage to carry them to our shores from Europe, and it is not improbable

(Continued on p. 1189)